



TELUS Is the Better 5G Stock

Description

The proposed mega-merger in the telecommunications industry could unseat **Telus** ([TSX:T](#))([NYSE:TU](#)) as Canada's [second-largest telco](#). **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI.B](#)) is currently number three but is awaiting regulatory approval to acquire **Shaw Communications** for \$26 billion.

Telus and **BCE** filed their opposition to the deal with the Canadian Radio-television and Telecommunications Commission (CRTC). The industry peers want CRTC to deny the business combination, as Rogers's broadcasting distribution market would be too large.

Rogers finds BCE's concern ironic, given that it has a larger market capitalization. Moreover, BCE made a pitch for Shaw before but failed. **Cogeco Communications** and **Corus Entertainment** also oppose the merger. The Canadian Communication Systems Alliance, representing Canada's independent internet, TV, and telephone providers, wants CRTC to scrap the deal.

Internal rife

Reports of a boardroom drama at Rogers came out recently. According to a story by *Globe and Mail*, Chairman Edward Rogers initiated a move to oust Joe Natale, Rogers's current CEO. However, board members blocked the attempt to replace Natale.

Some reports say the power struggle stems from Rogers's lacklustre performance in the stock market. Its shares (-1.15%) have fared poorly compared to Telus's (+41.66%) and BCE's (+44.18%) shares in the last three years. Tim Casey, an analyst at **BMO** Capital Markets, said the internal rife adds long-term risk for investors.

As of October 18, 2021, Telus (+14.46%) and BCE (+21.44%) are outperforming Rogers (+4.34%). According to Casey, the third-largest telco already had woes before the bid for Shaw. Its wireless unit contributes 60% of the total revenue, but it has been struggling of late. Likewise, the COVID-19 pandemic hurt its network service revenue.

Natale retains the top post and, despite the regulatory hurdles, would pursue and spend big on the

acquisition. If the monster deal obtains approval, Rogers will derive 91% of revenues from connectivity services (wireless and wireline). Its media division will contribute the remaining 9%.

The CRTC is examining the transfer of broadcasting assets and announced a public hearing on November 22, 2021. For the transfer of spectrum licences, Rogers must seek the approval of the Ministry of Innovation, Science, and Economic Development (ISED).

Aggressive telco

Telus has no media assets like Rogers and BCE, although it has growth catalysts in Telus Health, Telus Agriculture, and **Telus International**, a leading digital customer experience innovator. With Telus International, the company is well positioned to capitalize on the tending next-generation AI, content management solutions, and financial technology.

The \$37.97 billion also aims to become the lead [5G network](#) provider in Canada. It has allocated a \$13 billion investment budget to fund the rollout of the emergent technology. Since 2000, Telus has spent over \$47 billion in technology and operations. Its most recent extension of the 5G internet network is in the five communities on Vancouver Island, British Columbia.

Telus trades at \$27.90 per share, while, for comparison purposes, you can purchase Rogers for \$60.35. If you're a [dividend investor](#), the former pays a 4.52% dividend compared to the latter's yield of 3.30%.

Better performer

The way things stand so far in 2021, Telus is a better performer than Rogers Communications. Furthermore, its position as Canada's second-largest telco is secure, while the mega-merger is pending. Investors' interest might shift to Rogers if the bid for Shaw is successful.

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